Eurozone Growth Remains Sluggish

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Schroders' European Economist Azad Zangana comments on today's European GDP announcement.

"The eurozone economy grew by 0.2% in the third quarter compared to the previous quarter, which was slightly better than consensus expectations of 0.1%. Compared to the same period a year earlier, the eurozone grew by 0.8%.

"The performance of individual member states remains very diverse and reflects the progress made in terms of fiscal and structural reforms. For example, Italy is in recession with the economy having shrunk by 0.1%, whereas Spain grew by 0.5% over the same period.

"Having contracted in the second quarter, Germany was feared to have slipped into recession given falls in industrial production and retail sales during the third quarter. However, the economy managed to eke out 0.1% growth to avoid a technical recession. Consumer spending appears to have saved Germany as business investment continues to flounder, possibly in reaction to rising tensions between Europe and Russia. Meanwhile, France beat expectations by recording 0.3% growth, although according to the French statistical office, much of that growth was driven by government spending.

"In more positive news, Greece was the fastest growing economy in the eurozone, posting 0.7% growth on the quarter and 1.4% growth compared to a year earlier. It appears that the Greek economy has finally stabilised and while there is still a mountain of fiscal and structural reforms that need to be implemented, positive growth will help ease the social problems caused by the crisis.

"Overall, while the latest GDP figures are slightly better than expected, they continue to paint a picture of a weak eurozone economy that is struggling to break out of this sluggish growth environment. Consequently, inflation remains dangerously low (confirmed at 0.4% year-on-year for October) which will trouble the European Central Bank."

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